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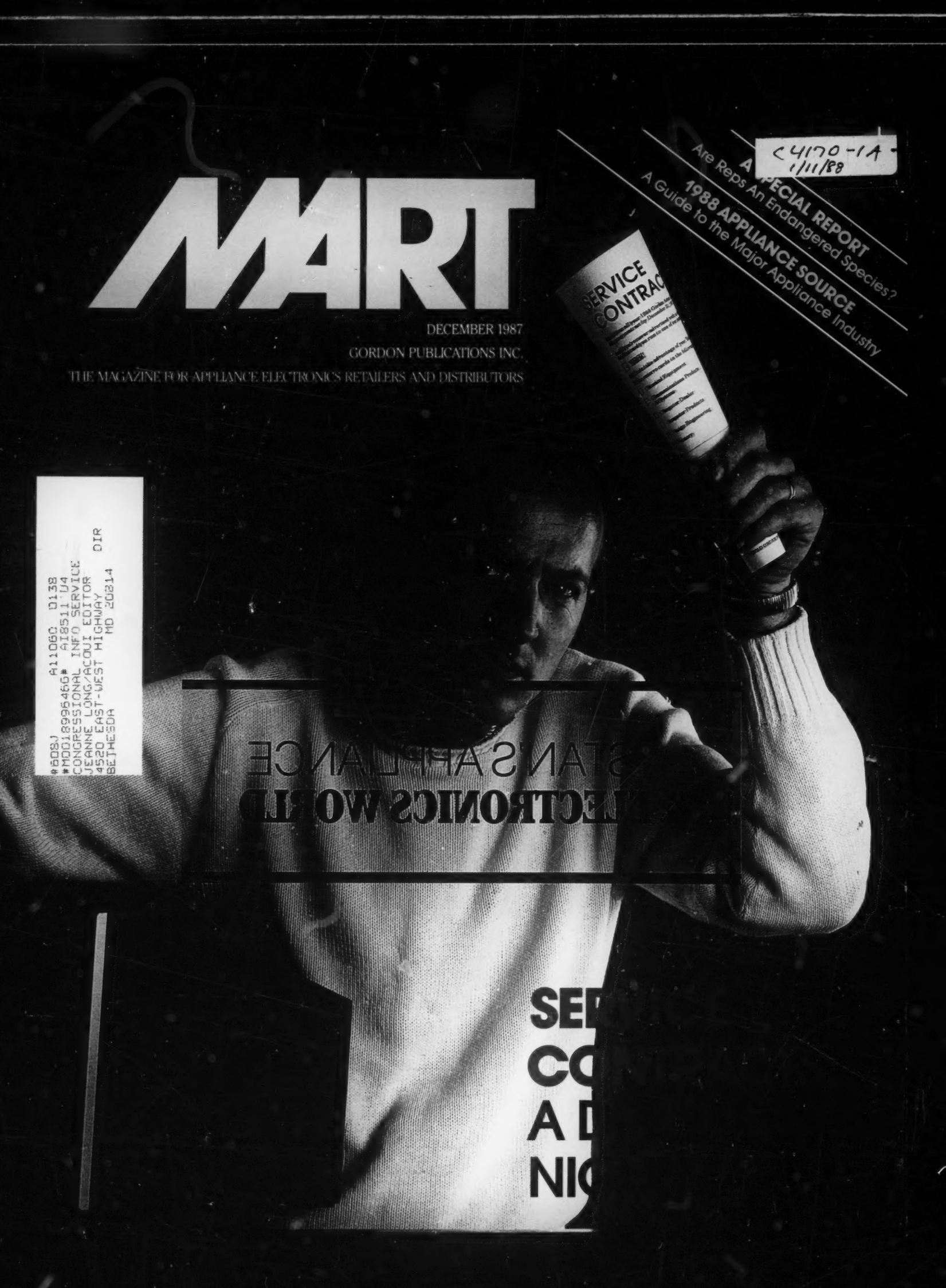
DECEMBER 1987
GORDON PUBLICATIONS INC.
THE MAGAZINE FOR APPLIANCE ELECTRONICS RETAILERS AND DISTRIBUTORS

A SPECIAL REPORT
Are Reps An Endangered Species?

1988 APPLIANCE SOURCE
A Guide to the Major Appliance Industry



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MART

THE MAGAZINE FOR ELECTRONICS/APPLIANCE RETAILERS AND DEALERS
GORDON PUBLICATIONS, INC.

DECEMBER 1987

COVER STORY

4 **SERVICE CONTRACTS: A DREAM OR NIGHTMARE?**

It's no secret that extended warranty contracts net more profit than many of the products they protect. But in an industry that is growing rapidly, dealers must be wary of unscrupulous operators. Suzy Fucini investigates this billion dollar business and tells how to avoid being scammed.

1988 APPLIANCE SOURCE

(A detailed guide to suppliers, the 1988 edition of MART's Appliance Source opens on page 7. Manufacturer profiles begin on page 13.)

10 **1987: ANOTHER MILESTONE FOR MAJORS**

Even in the wake of Wall Street's Black Monday, retailers and manufacturers remain optimistic that the year will close a record-breaker. The real mystery lies in the economy, and where it's heading in 1988.

HOME ELECTRONICS

(Pages A1 - A16: The Modern Rep, a special report on manufacturers representatives, follows page 14.)

A4 **ARE REPS AN ENDANGERED SPECIES?**

The modern rep... Who is he? How has his role changed in recent years? Who needs reps, and who doesn't? These are just a few of the many questions MART answers in this feature which runs through page A7.

A8 **REP ROUNDTABLE**

Nine working reps examine the independent representative's role in today's marketplace. Among the questions they address are: What should retailers expect from reps? What's does the future hold for the profession?

FAREWELL...

For the first time in nearly two years I am lost for words. This is the final issue of MART. It's a sad day, indeed, when the doors of a 34-year-old publication close. What do you say?

I leave this job with the hope that the past 22 issues have been meaningful in some way to all of our readers. For me, MART was a challenge that I enjoyed.

When I accepted the job of editor, my mission was to preserve MART's heritage while adapting to a rapidly changing market, and strengthen its voice in the industry. This, I believe, we accomplished thanks to the dedication of our staff. A small band we were—united by the common goal of delivering a quality magazine.

My sincerest thanks goes out to Rob Sabin, Suzy Fucini and Elliot King. These people were instrumental in shaping MART's editorial identity, and went far beyond the call of duty in doing so.

I'd also like to thank our former group publisher, Bob Snyder, for believing in MART and acting as a catalyst; and Bob Shapiro, for making our report on reps a reality. We had hoped this would be the first of many special editorial projects.

Finally—and most importantly—my thanks to *everyone* who supported MART—readers, advertisers, our friends in the public relations community.

Before signing off, I urge you to page through this final edition. It is not a throwaway by any means. Two months of hard work went into updating the 1988 Appliance Source and researching the independent rep profession. This month's cover story, which investigates the bustling service contract industry, also is must reading for any retailer.

My only regret is that we did not have more space. The Appliance Source, unfortunately, has been condensed in too few pages and, consequently, we did not have room for a directory of trade associations and finance companies. My apologies to those who took the time to supply us with information that did not get published.

Who knows, perhaps we'll cross paths again down the road. One thing's for sure, once you get the industry bug it's hard to shake it.

Best of luck in the future.

Bob Ankosko
Editor

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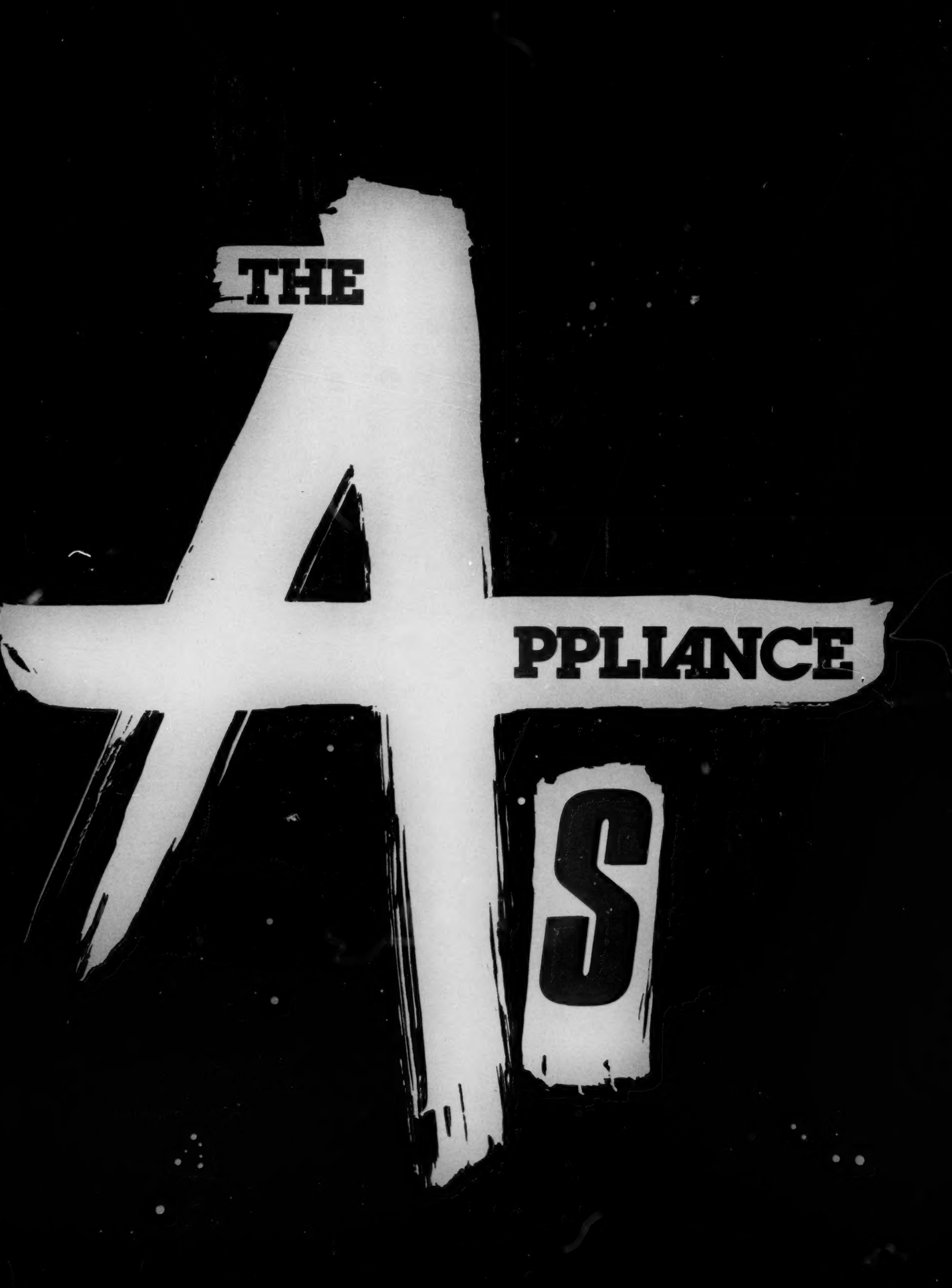
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1987: ANOTHER MILESTONE FOR MAJOR APPLIANCES

As for 1988, it appears that sales will remain flat or decline slightly compared to 1987.

by Suzy Fucini

While October 1987 may go down as one of the most economically disastrous months of all time, one would never know it from talking to people in the home appliance industry. Virtually all of the manufacturers and retailers MART surveyed at the end of that shock-riddled month were bullish, based on the surprising strength the industry had shown during the first 10 months of 1987. Even "Black Monday," it seems, did little to dampen their spirits, as the white goods industry steamrolled its way toward the fourth consecutive record year in sales.

Buoyed by a second-half that held up much better than anticipated, major home appliance shipments were up 7.6 percent during the first three quarters of 1987, surpassing 36.3 million units. And that, industry executives glowingly pointed out, exceeded the very optimistic projections made at the beginning of the year.

"We had been thinking in terms of a 5 percent increase—maybe," says Bob Holding, president of the Association of Home Appliance Manufacturers (AHAM). "I'd characterize 1987 as being a pleasant surprise." The strength of the first three quarters virtually assures that a new record will be set, since fourth-quarter shipments of only 9 million units would be needed to top 1986's record 45 million units.

Even a slowdown in consumer spending brought on by the stock market crash would probably not be enough to prevent a new record from being set at this point, Holding notes. "I think there's sufficient momentum to carry us through."

The top four appliance manufacturers all reported that sales were running well ahead of 1986's pace. Industry leader GE was in the midst of "a record year in terms of sales, market share and income," according to vice president of marketing Bruce Enders. At Whirlpool, Jim Workinger, division vice president of merchandising, disclosed that sales were "outperforming the industry as a whole."

Larry Cain, group vice president of product and marketing management for the WCI brands summed up 1987 in one word—"excellent." And a spokesman for Maytag confirmed that his company, too, was enjoying a record year. Even Brown Stove Works, the small, privately-held company whose niche is cooking products, was "well ahead of 1986," according to vice president of marketing Jim Ruberti.

The underlying soundness in white goods was reflected by the fact that refrigerators and laundry products—two of industry's largest product categories—were up 8.7 percent and 9.6 percent, respectively, for the first three quarters. Room air conditioners showed a dramatic 33 percent increase. However, A/C sales are not regarded as a reliable "state of the industry" indicator because they are sharply affected by weather conditions.

"What I like about 1987 was the strength of the old bellweathers—refrigerators and laundry," says Holding of AHAM. "The extremely hot summer carried air conditioners and dehumidifiers, but these are up and down products that were simply the icing on the cake." The only appliance category showing a decline in 1987 was microwave ovens, which slipped half a percentage point through the first three quarters.

Industry executives attributed the record-setting year to three key factors: 1) a large number of housing starts, 2) consumer confidence in the economy, 3) a "replacement cycle" for products sold in the early 1970s is beginning to bear fruit.

Commenting on replacement business, Whirlpool's Workinger notes that major appliance sales peaked out in 1973, after experiencing more than a decade of consecutive annual gains. "Many major appliances have a 15-year life cycle," he observes. "So what's happening right now is that all those appliances sold back in the early '70s are coming up for replacement. The remodeling market is just tremendous, too."

Retailers, for the most part, reported appliance sales patterns that mirrored industry factory shipments. Large and small dealers alike agreed that 1987 sales greatly surpassed their expectations, with refrigerators, laundry and air conditioning coming on exceptionally strong. "It's been just a super great year across the board for appliances," relates Dale Plass, vice president of Plass Appliance, which operates three stores in metro Chicago. "If there was any weak spot, it was microwaves."

At Minneapolis-based Best Buy, merchandise manager Mark Murphy says, "Appliance sales gains over last year were great. Room air conditioners were just phenomenal—we completely sold through before July was over. Refrigerators, dishwashers and laundry were excellent too. About the only category that remained flat was cooking."

It wasn't simply that appliances were selling, but *what* was selling that brought smiles to many faces in the industry. One of the year's most pleasant surprises was a pronounced trend toward higher-end products. Features such as ice-makers on refrigerators and self-cleaning ovens enjoyed wider acceptance than ever before. What's more, contemporary European styling and high-tech features like electronic controls continued to gain in popularity, as the appliance market underwent a "yuppification" of sorts.

"The market's definitely going in a more upscale direction," Whirlpool's Workinger confirms. "We're seeing more highly featured and styled products in virtually all categories—from a larger percentage of glass shelves on refrigerators to the use of more electronics."

In refrigerators, Best Buy's Murphy says the biggest surprise was the amount of higher-end product that sold. "Sales of GE's 27-cubic-foot refrigerator were fantastic." Agrees Plass, "It seems